



# **Department of Veterans Affairs Office of Inspector General**

---

## **Audit of Alleged Mismanagement of VA's Permanent Change of Station Travel Program**

**To Report Suspected Wrongdoing in VA Programs and Operations  
Call the OIG Hotline – (800) 488-8244**

## Table of Contents

	Page
<b>Executive Summary</b> .....	i
<b>Introduction</b> .....	1
<b>Results and Conclusions</b> .....	5
Issue 1: Whether the Financial Services Center Inadequately Controlled Permanent Change of Station Travel Funds.....	5
Issue 2: Whether Financial Services Center Employees Had Inadequate Knowledge, Training, and Experience to Effectively Administer the Permanent Change of Station Travel Program.....	14
Issue 3: Whether the Financial Services Center Was Not a Cost-Effective Source for Administering the Permanent Change of Station Travel Program.....	23
<b>Appendixes</b>	
A. Schedule of Outstanding Permanent Change of Station Travel Obligations .....	32
B. Assistant Secretary for Management Comments.....	34
C. Monetary Benefits in Accordance with IG Act Amendments.....	39
D. OIG Contact and Staff Acknowledgments .....	40
E. Report Distribution .....	41

## Executive Summary

### Introduction

On November 17, 2005, a complainant contacted Senator Charles Grassley, Chairman of the Senate Committee on Finance, alleging mismanagement of VA's Permanent Change of Station (PCS) program. On December 6, 2005, Senator Grassley requested that the VA Office of Inspector General (OIG) conduct an audit of the PCS travel program administered by the VA Financial Services Center (FSC) located in Austin, Texas.

The complainant made 13 allegations that we categorized into 3 issues. They are: (1) whether the FSC inadequately controlled PCS travel funds; (2) whether FSC employees had inadequate knowledge, training, and experience to effectively administer the PCS travel program; and (3) whether the FSC was not a cost-effective source for administering the PCS travel program. In addition, we reviewed an allegation of improper reprisal against the complainant for whistleblowing about issues related to the PCS travel program.

### Results

We substantiated 9 of the 13 allegations made by the complainant. FSC managers needed to strengthen controls for obligating and advancing PCS travel funds. We identified concerns with FSC employees' knowledge of the Federal Travel Regulation (FTR), training, and experience. Also, our audit revealed inadequate support for the planned sole-source task order to outsource PCS services for VA employees affected by Hurricane Katrina. As a result of our audit, we calculated that \$521,591 (12 percent) out of \$4,455,933 in PCS travel funds could have been used for other VA activities. The results of our audit are summarized below.

#### **Issue 1. Whether the FSC inadequately controlled PCS travel funds.**

In order to assess the allegations, we reviewed PCS travel and accounting records for 179 employees relocating to the Veterans Health Administration's (VHA) Veterans Integrated Service Network (VISN) 7 between July 1, 2003, and November 30, 2005. Of the 179 episodes of travel, obligations remained open for 116 of 179 episodes, totaling \$1,606,192. Advances were paid to 85 of the 179 transferring employees, totaling \$382,278. Sixteen advances were outstanding at the time of our audit.

- Allegation 1. Did the FSC fail to deobligate PCS travel funds once moves were completed?

Yes. Our audit determined the FSC did not deobligate 63 (54 percent) of 116 outstanding PCS travel obligations once moves or segments of moves were completed. Because the FSC did not monitor outstanding obligations and follow up with transferring employees and a third-party relocation service contractor to identify completed moves, 30 percent of the open obligations (\$474,502 of \$1,606,192) should have been deobligated and funds put to better use.

- Allegation 2. Did the FSC advance excess PCS travel funds to transferring employees?

Yes. Our review of 29 episodes of travel with travel advances equaling or exceeding \$5,000 disclosed that excess funds were advanced to 4 (14 percent) of the 29 transferring employees. The FSC advanced funds that exceeded maximum per diem amounts, exceeded the 30-day temporary quarters increment, issued advances after the temporary quarters period ended, and issued two duplicate advances. The excess advances totaled \$5,187.

- Allegation 3. Did the FSC allow transferring employees too much time to pay back travel advances?

Yes. Our review of 16 outstanding advances disclosed the FSC did not collect 9 (56 percent) of 16 advance payments, totaling \$14,995, in a timely manner. Advances should have been collected when moves or segments of moves were completed. In addition, we identified 2 (2 percent) out of 85 travel advance payments, totaling \$456, that were not properly offset at the time travel vouchers were submitted. The untimely collections of travel advance payments to the 11 transferring employees totaled \$8,750.

- Allegation 4. Did the FSC create duplicate PCS travel obligations?

No. The complainant identified eight PCS travel obligations believed to be duplicate obligations. We reviewed the eight obligations and found acceptable duplicate Budget Object Code (BOC) lines in VA's Financial Management System (FMS) due to the restructuring of PCS travel obligations to conform to new legislation—combining Withholding Tax Allowance (WTA) with Relocation Income Tax Allowance (RITA) expense-related PCS travel obligations—and separating commercial-related PCS travel from transferring employees' PCS travel obligations. We also reviewed the remaining 171 episodes of travel and found no evidence of duplicate obligations.

- Allegation 5. Did the FSC overobligate PCS travel funds?

Yes. We determined the FSC was unable to support \$33,152 in estimated real estate expenses in 4 (3 percent) of 116 episodes of travel. Even though the FSC obligated funds for real estate expenses in these four instances, the amount of estimated real estate expenses recorded in the "Travel Authority for Permanent Duty" was blank, indicating that no funds should have been obligated. The FSC was unable to provide any compensating documents to support the obligations.

- Allegation 6. Did the FSC inaccurately report to VA Central Office (VACO) that fiscal year (FY) 2005 PCS travel funds had been deobligated while significant amounts remained obligated?

No. Our review of the FY 2005 *Annual Accomplishments Report*, weekly status reports containing PCS-related information, and an interview with the Deputy Assistant Secretary for Finance revealed no evidence the FSC inaccurately reported the deobligation of PCS travel funds to VACO.

- Allegation 7. Did FSC managers inadequately address field station complaints regarding PCS travel fund obligations?

Yes. Our audit revealed that even though FSC management had taken several actions to strengthen controls over PCS travel obligations, the actions were not effective. FSC management acknowledged that the improvement actions to address the problems had not yet resolved the issues.

**Issue 2. Whether FSC employees had inadequate knowledge, training, and experience to effectively administer the PCS travel program.**

In order to assess the allegations, we interviewed FSC employees with PCS travel responsibilities, reviewed 10 PCS cases identified in e-mails provided by the complainant, and reviewed FSC employee personnel and training records. We also surveyed 145 VA facility employees nationwide who assisted transferring employees with PCS travel prior to centralization.

- Allegation 8. Did FSC employees have inadequate PCS travel experience, knowledge, and training?

Yes. We determined FSC employees lacked experience prior to working at the FSC. Ten of 17 FSC employees did not have PCS travel-related experience during the 10 years before working at the FSC. Two causes of the FSC employee inexperience were the FSC's use of vacancy announcements, which did not accurately describe the duties for the PCS travel positions and a 2005 employee turnover rate of 49 percent.

In addition, our audit of 10 PCS moves concluded that employee knowledge of the FTR was inadequate. Employee training was limited. From January 2004 to December 2005, 4 of the 13 non-supervisory employees received a total of 2 days training, and the remaining 9 employees received a total of 4 days training on the FTR. In addition, seven employees received a total of a half-day training, and the remaining six employees received no training on the FMS.

- Allegation 9. Did the FSC provide poor PCS travel customer service?

Yes. As of January 2006, the FSC did not have a customer survey program for VA facility PCS travel customers. Therefore, the FSC could not adequately assess the quality of service provided to VA facilities or determine if it was accomplishing its vision of exceeding VA customer expectations.

Surveyed VA facility employees reported that they performed PCS travel functions that VA facilities pay the FSC to perform. For example, 72 (50 percent) of 145 respondents reported that they provided PCS travel counseling, and 71 (49 percent) reported that they assisted transferring employees in completing PCS travel vouchers.

- Allegation 10. Was the FSC incapable of effectively administering VA's PCS travel program?

Yes. The FSC's capability to effectively administer the PCS travel program was limited because of inadequate employee experience, knowledge, and training; staffing shortages; and delays in implementing a web-based PCS travel application.

### **Issue 3. Whether the FSC was not a cost-effective source for administering the PCS travel program.**

In order to assess the allegations, we reviewed General Services Administration (GSA) schedules, VA contract files, PCS centralization proposals and comments, and interviewed Franchise Fund employees at other Government agencies.

- Allegation 11. Was the FSC's fee for providing PCS services too high?

No. We determined the FSC fee was less than the vendor prices listed on the GSA schedules for comparable services. In addition, we determined the FSC lost about \$1.3 million in their PCS business line in FY 2005.

- Allegation 12. Did VA and the FSC inadequately explore outsourcing PCS services?

Yes. The FSC explored outsourcing the PCS services for VA employees who needed to be relocated as a result of destruction caused by Hurricane Katrina. However, there were unnecessary delays in awarding the task order for the services, and there was no

supportable justification for VA's planned sole-source award for the services. We also found that obtaining a fixed-price Indefinite Delivery/Indefinite Quantity (IDIQ) or Requirements agreement would be more economically sound than the planned definite quantity firm-fixed-price task order. VA also needs to take immediate action to resolve outstanding issues relating to the protest of VA's relocation services contract.

- Allegation 13. Was the number of full-time equivalent employees at individual VA facilities reduced when PCS services were centralized at the FSC?

No. The number of full-time equivalent employees (FTE) at VA facilities was not reduced as a result of centralizing PCS services because PCS-related duties were collateral duties and did not require an FTE to provide PCS services. We also noted that centralization of PCS services was never intended to reduce FTE at VA stations. The goals of centralization included streamlining claim reimbursement processing, recovering overpayments, strengthening internal controls, and relieving stations of burdensome follow-up collection activities.

There was also an allegation of improper reprisal against the complainant for whistleblowing about issues related to the PCS travel program. We did not substantiate the allegation.

## Recommendations

To improve management of VA's PCS travel program and address the allegations substantiated by our audit, we recommended the Assistant Secretary for Management ensure that the FSC:

1. Strengthens controls for obligating and advancing PCS travel funds by:
  - a. Conducting monthly reviews of all outstanding obligations and advances and appropriately deobligating outstanding obligations and collecting outstanding advances in accordance with VA Manual Policies.
  - b. Reviewing the PCS travel cases nationwide and ensuring that PCS travel funds are deobligated promptly, advances to transferring employees are the appropriate amount and are promptly collected, and the appropriate amount of funds are obligated for PCS real estate expenses.
  - c. Developing and implementing standard operating procedures for processing PCS travel.
  - d. Implementing PCS travel software that improves PCS processing.



2. Improves its ability to effectively administer the PCS travel program by:
  - a. Ensuring all FSC employees with PCS travel responsibilities receive adequate training on PCS travel processing, FMS applications, and FTR, Chapter 302 requirements.
  - b. Modifying future vacancy announcements to include an accurate description of PCS travel duties and specialized experience requirements.
  - c. Ensuring that customer surveys are distributed to all transferred employees.
  - d. Developing and implementing a method of measuring the quality of customer service provided to VA facilities.

In addition, we recommended the Assistant Secretary for Management ensure that the Office of Acquisition and Materiel Management (OA&MM):

3. Address issues pertaining to the planned award of a sole-source task order by:
  - a. Competing the requirement for entitlement counseling and voucher services for those affected by Hurricane Katrina under the provisions in the FAR, Part 8.
  - b. Changing the Request for Quotation (RFQ) to provide entitlement counseling and voucher services to a fixed-price IDIQ or a Requirements task order that includes tiered pricing or a rebate structure to encourage discounted pricing.
  - c. Taking immediate action to resolve outstanding issues relating to the protest of the existing contract with the vendor without interruption or disruption of the services needed by VA employees who are relocating.

## **Assistant Secretary for Management Comments**

The Assistant Secretary for Management agreed with the findings and recommendations and provided acceptable implementation plans. (See Appendix B, pages 34–38 for the full text of the Assistant Secretary's comments.) We will follow up on the implementation of planned improvement actions until they are completed.

The Assistant Secretary stated that the monetary benefits shown in Appendix C should be reduced from \$546,730 to \$507,654 (difference of \$39,076) because advances are a subset of obligations and could not have been used for other VA activities. Based on his comments, we reduced our better use of funds estimate by \$25,139 because this amount was also included in our estimate of the amount of funds the FSC did not deobligate for completed or partially completed travel. The remaining \$13,937 (\$39,076 minus \$25,139) remains in our better use of funds estimate because these funds were not included in the amount that we reported the FSC did not deobligate for completed or

partially completed travel. We advised the Assistant Secretary of the adjustments we made to our monetary benefits estimate and he agreed with the adjustments.

*(original signed by:)*

MICHAEL L. STALEY

Assistant Inspector General for Auditing

## Introduction

### Purpose

The purpose of the audit was to review allegations of mismanagement of VA's PCS travel program administered by the FSC in Austin, TX. On December 6, 2005, the OIG received a request from Senator Charles Grassley, Chairman of the Senate Committee on Finance, to audit allegations made by a complainant. The complainant made 13 allegations that we categorized into 3 issues. The issues are: (1) whether the FSC inadequately controlled PCS travel funds; (2) whether FSC employees had inadequate knowledge, training, and experience to effectively administer the PCS travel program; and (3) whether the FSC was not a cost-effective source for administering the PCS travel program. In addition, we reviewed an allegation of improper reprisal against the complainant for whistleblowing about issues related to the PCS travel program.

### Background

The FSC is one of six non-appropriated VA Enterprise Centers offering services on a fee-for-service basis. On April 1, 2003, VA centralized PCS processing at the FSC. The centralization was intended to increase efficiency, reduce improper payments, and improve internal controls and accountability of PCS travel funds. Before centralization, PCS processing was performed at individual VA facilities. Centralization consolidated all aspects of PCS processing from the time the FSC receives an Intra-Agency Transfer Request (VA Form 3918) from the receiving station through the generation of the final travel reimbursement payment to a transferring employee.

**VA Station Responsibilities.** Despite centralization, the transferring employee's receiving station has several responsibilities. The Human Resources Office of the receiving station initiates a move by completing and approving VA Form 3918. The FSC prepares, and the transferring employee's receiving station approves, a Travel Authority for Permanent Duty (VA Form 3036).

**FSC Responsibilities.** The FSC's responsibilities include:

1. Contacting the transferring employee to discuss all aspects of the move.
2. Preparing the travel authority.
3. Contacting VA's move management third-party contractor for a household goods estimate.
4. Working with the transferring employee to obtain a travel advance.
5. Sending the travel authority to the approving official at the receiving station for review and approval.

6. Notifying appropriate budget personnel at the receiving station of the intent to obligate PCS travel funds.
7. Establishing the PCS travel obligation, travel advance, and relocation services in the VA FMS.
8. Updating the move management web site.
9. Acting as the liaison between VA's move management third-party contractor and VA's relocation services third-party contractor.
10. Assisting in the completion of the PCS travel reimbursement voucher.
11. Forwarding real estate documentation to the Veterans Benefits Administration's (VBA's) Regional Loan Center at the VA Regional Office in Houston, TX for review of reasonable and customary charges.
12. Providing counseling services to transferring employees throughout their move.
13. Auditing PCS vouchers and issuing bills of collection for unresolved travel advances.

**PCS Moves Processed by the FSC.** The FSC processed 414 PCS moves in FY 2003, 1,112 in FY 2004, and 1,044 in FY 2005. For FYs 2003–2005, PCS travel funds of about \$148.6 million were obligated for the entire VA.

**History of Undelivered Orders.** Deloitte & Touche, the independent auditor of VA's financial statements, has reported each year since 2000 that VHA has had significant undelivered orders, which includes open PCS obligations, requiring adjustments for financial reporting purposes. Deloitte & Touche reported the existence of undelivered orders indicates that the undelivered orders were not being properly monitored and managed by responsible VA officials.

**Governmentwide Relocation Advisory Board.** On July 9, 2004, the GSA filed a charter in Congress to establish a Governmentwide Relocation Advisory Board (GRAB). The mission of GRAB was to review policies promulgated through the FTR for relocation and associated processes, reimbursements, and allowances for relocating Federal employees. On September 15, 2005, GRAB issued *Governmentwide Relocation Advisory Board Findings and Recommendations*. The most dramatic change GRAB advocated was an initiative designed to engage Federal agencies in taking a more active role in constructing and then managing a Governmentwide relocation program as opposed to the inconsistent and disparate management methods and processes currently used by Federal agencies. GRAB recommended the implementation of nine strategic initiatives to improve Federal employee relocation management. These initiatives included themes such as enhancing the education and training of Federal relocation specialists, outsourcing relocation services when cost-effective, and a well-designed and well-managed Governmentwide relocation program.

## Scope and Methodology

To determine the merits of the allegations, we interviewed the complainant; FSC employees responsible for the administration of the PCS travel program; VACO employees, including VA Office of Finance Management and Transportation and Relocation Services employees who oversee the third-party contractors for move management and relocation services assistance; and OA&MM employees who awarded the third-party contracts.

Our scope included the review of all PCS travel and accounting records for 179 transferring employees relocating to VISN 7 between July 1, 2003, and November 30, 2005. The total amount obligated for these moves was \$4,455,933. PCS travel obligations totaling \$1,606,192 remained obligated for 116 episodes of travel at the time of our audit. We also reviewed 85 episodes of travel where travel advances totaling \$382,278 were paid. Sixteen travel advances were outstanding at the time of our audit. A transferring employee's entire move constitutes an episode of travel. Table 1 describes the 11 BOCs the FSC uses to account for PCS travel obligations.

**Table 1. PCS Travel Budget Object Codes**

BOC	Description	BOC	Description
1208	Temporary Quarters and Miscellaneous Moving Expenses	2230	Shipment of Household Goods
1209	Real Estate Expenses	2231	Shipment of Automobile
1210	Relocation Income Tax Allowance	2522	Property Management Services
2101	Travel Expenses	2530	Storage of Household Goods
2102	House Hunting Trip	2531	Home Sale Assistance
2105	En Route Travel		

We assessed FSC's compliance with VA policies and the FTR, examined personnel documents and contract proposals, and utilized computer-assisted audit techniques to identify potential duplicate PCS travel obligations. We also conducted a web-based survey answered by 145 employees responsible for PCS coordination at VA facilities to obtain their views on issues affecting the quality of PCS services provided by the FSC.

The audit was conducted from December 19, 2005, to February 16, 2006, which included on-site evaluations of procedures and practices at the FSC January 3–20, 2006. Additionally, we conducted on-site work at VACO from January 17–30, 2006. In planning and performing the audit, we relied on computer-generated data recorded in VA's FMS. To test the reliability of this data, we compared relevant data elements from the FMS with data on VA Forms 3918 and 3036 for the 179 transferring employees reviewed. We found the computer-generated data to be sufficiently reliable for our audit objectives.

We also reviewed an allegation of improper reprisal against the complainant for whistleblowing about issues related to the PCS travel program. We did not substantiate

the allegation and do not discuss it further in the report in order to protect the identity of the complainant.

Our assessment of internal controls focused only on those controls related to our audit objective of determining whether the allegations could be substantiated and was not intended to form an opinion on the adequacy of internal controls overall; we do not render such an opinion. In all other aspects, the audit was conducted in accordance with Government Auditing Standards.

## Results and Conclusions

### Issue 1: Whether the Financial Services Center Inadequately Controlled Permanent Change of Station Travel Funds

The complainant alleged that the FSC:

1. Failed to deobligate PCS travel funds once moves were completed.
2. Advanced excess PCS travel funds to transferring employees.
3. Allowed transferring employees too much time to pay back travel advances.
4. Created duplicate PCS travel obligations.
5. Overobligated PCS travel funds.
6. Inaccurately reported to VACO that FY 2005 PCS travel funds had been deobligated while significant amounts remained obligated.
7. Managers inadequately addressed field station complaints regarding PCS fund obligations.

### Findings

Our audit substantiated five of the seven allegations. FSC managers did not establish effective controls over PCS travel obligations and advances. Office of Management and Budget Circular No. A-123, *Management Responsibility for Internal Control*, requires periodic reviews, reconciliations, or comparisons of data be included as part of the regular assigned duties of personnel. We attributed this to the lack of procedures to monitor outstanding PCS travel obligations and advances and the lack of procedures to reconcile outstanding obligations with completed travel expenditures. Details for each allegation follow.

#### **Allegation 1. Did the FSC fail to deobligate PCS travel funds once moves were completed?**

Yes. Our audit of 179 episodes of travel, which included 116 outstanding PCS travel obligations and interviews with FSC employees substantiated the allegation.

The audit concluded that FSC employees should have partially or completely deobligated PCS travel funds for 63 (54 percent) out of 116 episodes of travel with outstanding PCS travel obligations. VA policy requires FSC managers to have policies, procedures, and practices in place to review all estimated obligations for accuracy on a monthly basis.<sup>1</sup>

---

<sup>1</sup> VA Manual Policy-4, Part V, Chapter 1, "Fund Control-Reconciliations," dated December 5, 1983.

The PCS supervisor stated that PCS travel obligations were not deobligated because FSC employees did not adequately monitor travel activity and did not contact transferring employees and the third-party relocation services contractor to verify that the PCS travel was completed. She also told us that travel claims were not reconciled with outstanding PCS travel obligations monthly. As a result, 30 percent of open obligations (\$474,502 of \$1,606,192) should have been deobligated. (See Appendix A, pages 32–33.)

During the audit, the FSC deobligated PCS travel funds associated with 19 of the 63 episodes of travel. The PCS supervisor agreed that the remaining 44 PCS travel obligations should be deobligated and would take action to deobligate the funds.

**Allegation 2. Did the FSC advance excess PCS travel funds to transferring employees?**

Yes. Our audit of 179 episodes of travel, which included 29 instances where the travel advances equaled or exceeded \$5,000, and interviews with FSC employees substantiated the allegation.

The complainant alleged the FSC advanced excess PCS travel funds to transferring employees. We determined the FSC advanced excess funds for 4 (14 percent) out of 29 episodes of travel. VA policy allows the advancement of funds for subsistence expenses, in 30-day increments at the per diem amount, for the transferring employee and immediate family members while occupying temporary quarters at the new official duty station.<sup>2</sup>

- In the first instance, the advance was in excess of the per diem allowed for a 30-day stay in temporary quarters. On November 15, 2004, the FSC improperly advanced an unaccompanied transferring employee \$3,268 for a subsequent 30-day stay in temporary quarters. However, the per diem rate in effect for a transferring employee with no dependents was only \$2,048. This resulted in an excess advance of \$1,220.
- A second instance occurred on February 19, 2004, when the FSC improperly advanced a transferring employee \$14,056 even though the employee was not entitled to receive the advance. The employee's stay in temporary quarters had ended on February 11, 2004, and the advance was in excess of the allowed 30-day increment.
- In two other instances, the FSC made duplicate advance payments totaling \$8,804.

The PCS supervisor attributed the advances that exceeded the 30-day increment and per diem amount to the lack of monitoring of outstanding advances by FSC employees. She

---

<sup>2</sup> VA Manual Policy-1, Part II, Chapter 2, "Employee Travel Management," dated February 28, 1995.



attributed the duplicate travel advances to data entry errors by FSC employees. Table 2 details the excess travel advances.

**Table 2. Excess Advances Paid**

	<b>Travel Order Number</b>	<b>Dates of Advances</b>	<b>Amount Paid</b>	<b>Questioned Amount</b>	<b>Reason for Exception</b>
1	534T41003	November 15, 2004	\$3,268.00	\$1,220.50	Advance exceeded maximum per diem
2	5084T1002	February 19, 2004	\$14,056.00	\$14,056.00	Advance exceeded 30-day increment and issued after completion of temporary quarters
3	619T41005	June 30, 2004	\$4,837.50	\$0.00	No Exception
	619T41005	June 30, 2004	\$4,837.50	\$4,837.50	Duplicate Payment
4	544T41011	July 1, 2004	\$3,966.75	\$0.00	No Exception
	544T41011	July 1, 2004	\$3,966.75	<u>\$3,966.75</u>	Duplicate Payment
	<b>Total</b>			<b><u>\$24,080.75</u></b>	

We adjusted the \$24,080.75 to account for the monetary impact reported in Allegation 1 for episodes of travel 5084T1002 and 619T41005. Therefore, the excess advances included in our monetary benefits estimate totaled \$5,187. The PCS supervisor agreed that the travel advances were excessive and issued a bill of collection to each transferring employee for the amounts questioned.

### **Allegation 3. Did the FSC allow transferring employees too much time to pay back travel advances?**

Yes. Our audit of 179 episodes of travel, which included 85 travel advances, 16 of which were outstanding, and interviews with FSC employees substantiated the allegation.

The complainant alleged the FSC allowed PCS transferring employees too much time to pay back travel advances. As of November 30, 2005, the FSC had not collected 9 (56 percent) of 16 outstanding travel advances totaling \$14,995. VA policy requires FSC managers to take prompt action to collect all outstanding obligated balances of travel advances upon completion of the travel. The policy further states that collection will be made by deduction from the transferring employee's travel reimbursement voucher, the transferring employee's cash remittance, or from monies due the transferring employee from the United States Government.<sup>3</sup>

The PCS supervisor told us travel advances were not collected due to the lack of monitoring of outstanding travel advances. Table 3 details the untimely collection of outstanding travel advances. The number of days the advance was outstanding was

<sup>3</sup> VA Manual Policy-4, Part III, Chapter 4, "Advance of Funds for Employee Travel Purposes," dated November 18, 1977.

calculated from the date the last advance was recorded in FMS through November 30, 2005.

**Table 3. Untimely Collection of Travel Advances**

	<b>Travel Order Number</b>	<b>Total Advance Paid</b>	<b>Date of Last Advance</b>	<b>Amount of Outstanding Advance</b>	<b>Days Advance Outstanding</b>
1	544T35004	\$2,228.00	September 26, 2005	\$161.01	65 Days
2	509T41002	\$5,088.02	September 22, 2005	\$382.41	69 Days
3	509T51003	\$3,548.00	August 23, 2005	\$298.34	99 Days
4	509T51007	\$2,000.00	March 7, 2005	\$123.60	268 Days
5	544T41011	\$17,221.50	July 1, 2004	\$3,069.35	517 Days
6	619T41005	\$10,785.00	June 30, 2004	\$5,947.50	518 Days
7	508T41006	\$5,805.00	May 3, 2004	\$233.78	576 Days
8	508T41004	\$6,288.75	March 19, 2004	\$485.70	621 Days
9	508T41001	\$5,321.25	October 14, 2003	\$4,293.65	778 Days
	<b>Total</b>			<b><u>\$14,995.34</u></b>	

We adjusted the \$14,995.34 to account for the monetary impact reported in Allegation 1 for episodes of travel 509T51003 and 619T41005. Therefore, the untimely collection of travel advances included in our monetary benefits estimate totaled \$8,750.

In addition, as discussed below, out of 85 travel advances, 2 (2 percent) with a total value of \$456 were not properly offset when the travel reimbursement vouchers were filed.

- For travel order number 544T51005, an advance of \$3,500 was paid on November 16, 2004. The FSC offset \$3,215.29 on March 7, 2005, when the transferring employee submitted the first travel reimbursement voucher. However, the remaining \$284.71 was offset from the third travel reimbursement voucher instead of the second travel reimbursement voucher.
- For travel order number 544T41002, an advance of \$3,386.25 was paid on October 16, 2003. The FSC offset \$3,215.33 on May 6, 2004, when the transferring employee submitted the first travel reimbursement voucher. However, the remaining \$170.92 was offset from the third travel reimbursement voucher instead of the second travel reimbursement voucher.

#### **Allegation 4. Did the FSC create duplicate PCS travel obligations?**

No. Our audit of 179 PCS travel obligations and interviews with FSC employees did not substantiate the allegation.

The complainant identified eight PCS travel obligations believed to be duplicate obligations. We reviewed the eight obligations and found acceptable duplicate BOC lines in FMS that resulted from the restructuring of PCS travel obligations to conform to new legislation, combining WTA with RITA expense-related PCS travel obligations, and

separating commercial-related PCS travel from transferring employees' PCS travel obligations. We also reviewed the remaining 171 episodes of travel and found no evidence of duplicate obligations. FSC managers told us they would separate WTA and RITA obligations.

### **Allegation 5. Did the FSC overobligate PCS travel funds?**

Yes. Our audit of 179 episodes of travel, which included 116 episodes of travel with obligated amounts for real estate expenses and interviews with FSC employees substantiated the allegation.

The complainant alleged the FSC overobligated PCS travel funds. Our review disclosed the FSC was unable to support obligated amounts totaling \$33,152 associated with real estate expenses for 4 (3 percent) of 116 episodes of travel. VA policy states that obligations of the United States Government may be made only when supported by written documentary evidence of a binding agreement between an agency and another person.<sup>4</sup>

In these four instances, PCS travel obligations were made even though the estimated real estate expenses recorded on the VA Forms 3036, Travel Authority for Permanent Duty, were blank, indicating a zero amount. The FSC was unable to provide any support for the PCS travel obligations. The PCS supervisor told us this occurred because open PCS travel obligations were not routinely monitored. As a result, the FSC overobligated \$33,152 in estimated real estate expenses. Table 4 details the overobligated amounts.

**Table 4. Overobligated Real Estate Expenses**

	<b>Travel Order Number</b>	<b>Date of Order</b>	<b>Overobligated Amount</b>	<b>Reason for Exception</b>
1	509T35005	August 14, 2003	\$12,150.00	No Supporting Documentation
2	509T41006	July 6, 2004	\$3,502.43	No Supporting Documentation
3	509T51003	December 2, 2004	\$5,000.00	No Supporting Documentation
4	534T41002	February 3, 2004	\$12,500.00	No Supporting Documentation
	<b>Total</b>		<b>\$33,152.43</b>	

### **Allegation 6. Did the FSC inaccurately report to VACO that FY 2005 PCS travel funds had been deobligated while significant amounts remained obligated?**

No. Our review of the FSC's FY 2005 *Annual Accomplishments Report* and weekly status reports did not substantiate the allegation.

The complainant alleged the FSC misled VACO by reporting inaccurate information about the deobligation of PCS travel funds while significant amounts remained obligated. The complainant did not identify a specific report.

<sup>4</sup> VA Manual Policy-4, Part V, Chapter 1, "Obligation Accounting," dated December 5, 1983.

The Director of VHA's Financial Management and Accounting Office stated that an FSC management official told her on August 26, 2005, that the FSC had recently completed their review of FY 2005 to date outstanding obligations and had deobligated the identified PCS travel funds. When asked about such reports, the responsible FSC official told us he may have reported that the obligation review was complete since that was the information he received from the FSC employees.

We attempted to confirm that the FSC submitted a report to VACO concerning its review of FY 2005 outstanding obligations by reviewing the FSC's FY 2005 *Annual Accomplishments Report* and weekly status reports. The *Annual Accomplishments Report* stated "...the FSC travel team performed 100 percent reconciliation of all FY 2005 PCS travel funds; validated over 5,500 lines of accounting, valued at over \$31 million and deobligated over \$12.6 million." However, the *Annual Accomplishments Report* is an internal FSC report and was not provided to VACO. The Deputy Assistant Secretary for Finance confirmed the report was not received by VACO. We also reviewed 14 weekly status reports which discussed PCS travel issues during the 11-month period of October 2004–November 2005 that the FSC submitted to VACO management. The reports did not contain any information pertaining to the deobligation of PCS travel funds.

**Allegation 7. Did FSC managers inadequately address field station complaints regarding PCS travel fund obligations?**

Yes. Our audit of FSC internal controls over PCS travel obligations and our interviews with FSC employees substantiated the allegation.

The complainant alleged that FSC management inadequately addressed field station complaints made during the summer of 2005 regarding improper PCS fund obligations. FSC management acknowledged that, as of January 2006, the FSC had not completed some improvements to address field station complaints. Our audit of the obligations for 179 transferring employees concluded that FSC management had not created and maintained adequate procedures to monitor outstanding obligations and reconcile them with expenditures associated with PCS travel. FSC management is required to have policies, procedures, and practices in place to review estimated obligations for accuracy monthly.<sup>5</sup>

During the summer of 2005, the complainant and other field station personnel repeatedly complained to FSC managers that the FSC did not deobligate PCS funds promptly.

**FSC Managers' Efforts to Address Complaints.** FSC management actions to address field station complaints included three main activities—a new procedure and a PCS software modification to make travel fund deobligations automatic, a review of open

---

<sup>5</sup> VA Manual Policy-4, Part V, Chapter 1, "Fund Control-Reconciliations," dated December 5, 1983.

obligations and deobligation of unneeded funds for all PCS travel completed during FY 2005, and the planned development and implementation of a new web-based PCS software application that would track the entire move process from initial PCS authorization to final claim payment and fund deobligation.

As of January 2006, the FSC had only completed one of the actions—the PCS software modification to make PCS travel fund deobligations automatic. The FSC had not completed the other two actions. The FSC's review and deobligation of FY 2005 PCS travel funds had been inadequate, and the implementation of the new web-based PCS software application had been delayed.

**Inadequate Review of Open Obligations for FY 2005 PCS Travel.** FSC managers acknowledged that their review of FY 2005 outstanding obligations were only partially successful because PCS employees did not know some of their corrections in FMS had been rejected. The FSC Customer Support Division Chief stated that no one investigated the reasons why some obligations had not been deobligated. We concluded that the reason FSC employees were not routinely reviewing and deobligating PCS funds for completed travel was that the FSC did not have any standard operating procedures. As a result, FSC employees did not fully understand their detailed responsibilities and the proper procedures for performing their duties.

**Delayed Implementation of Web-Based PCS Software Application.** Another FSC response to field station complaints was developing a plan to implement a web-based PCS software application. The benefits of the planned application included accurate, detailed, and real-time tracking of the entire move process from the initial PCS authorization to the final claim payment and deobligation of funds. The application was to be accessible to FSC employees, the transferring employee, and VA station managers, allowing all parties involved to know the status of moves at any time. However, the solicitation was not issued until August 2005, as management refined the requirements and considered an off-the-shelf option. As of January 2006, because the response to the solicitation did not meet their needs, the FSC had canceled the solicitation to procure the PCS software. The FSC was also making improvements to the existing software, and developed a longer term plan to resolicit for the development of the total software requirements.

**FSC Improvement Actions Were Not Effective.** To further assess the adequacy of FSC improvement actions, we reviewed 14 outstanding obligations established during the 3-month period of September–November 2005. Of these 14 obligations, 4 (29 percent) with a total value of \$19,185 should have been deobligated.

## Conclusion

We determined FSC management needed to strengthen controls over PCS travel funds. For instance, we substantiated PCS funds were not deobligated in a timely manner,

advances were not made for appropriate amounts, outstanding advances were not collected in a timely manner, and funds were overobligated. We also substantiated that FSC management did not adequately address field station complaints about the obligation and advance deficiencies.

As a result, \$521,591 (12 percent) of \$4,455,933 VA funds could have been used for other VA activities. Our calculation was determined by adding \$474,502, the amount the FSC did not deobligate for completed or partially completed travel; plus \$5,187 in excess advances; plus \$8,750 in outstanding advances that should have been collected; plus \$33,152 in overobligated real estate expenses.

Because PCS travel processing was centralized at the FSC, the same procedures were used to process VISN 7 PCS travel as were used to process all VA PCS travel. Nationwide the amount of obligated PCS funding totaled \$148,624,137 during FYs 2003-2005. Assuming conditions in VISN 7 are similar for all PCS travel, an estimated \$17,843,896 (\$148,624,137 times 12 percent) could potentially be deobligated. Given this risk, actions need to be taken to review all PCS obligations nationwide to determine whether unnecessary outstanding obligations should be deobligated.

**Recommended Improvement Action 1.** To address issues pertaining to PCS travel funds, we recommended the Assistant Secretary for Management ensures that the FSC:

- a. Conducts monthly reviews of all outstanding obligations and advances and appropriately deobligates outstanding obligations and collects outstanding advances in accordance with VA Manual Policies.
- b. Reviews the PCS travel cases nationwide and ensures that PCS travel funds are deobligated promptly, advances to transferring employees are the appropriate amount and are promptly collected, and the appropriate amount of funds are obligated for PCS real estate expenses.
- c. Develops and implements standard operating procedures for processing PCS travel.
- d. Implements PCS travel software that improves PCS processing.

The Assistant Secretary for Management agreed with the findings and recommendations. He reported that the FSC's Financial Accounting Service will conduct monthly reviews of all outstanding obligations to ensure timely deobligation of funds and to verify that advance amounts do not exceed the amount authorized. When travel is completed, the FSC will deobligate any outstanding obligations, and review all advances and take action to collect any outstanding amounts. Real estate obligations will also be monitored monthly. Standard operating procedures for processing PCS travel are being developed, and the FSC has completed some enhancements to the PCS travel application used by the PCS travel team. A review is being conducted to identify further software improvements

to enhance internal controls and customer support. The improvement actions are acceptable, and we will follow up on the completion of planned actions.

## **Issue 2: Whether Financial Services Center Employees Had Inadequate Knowledge, Training, and Experience to Effectively Administer the Permanent Change of Station Travel Program**

The complainant alleged that FSC employees: (1) had inadequate PCS travel experience, knowledge, and training; (2) provided poor PCS travel customer service; and (3) were incapable of effectively administering VA's PCS travel program.

### **Findings**

Our audit substantiated all three allegations. PCS travel work experience was limited for the 17 FSC employees with PCS travel responsibilities. Of these 17 employees, 10 (59 percent) had no PCS travel work experience during the 10-year period before they were hired. Two causes of the FSC employee inexperience were the FSC's use of vacancy announcements, which did not accurately describe the duties for the PCS travel positions and a 2005 employee turnover rate of 49 percent. In addition, FSC employees had inadequate training on and knowledge of the FTR, Chapter 302, "Relocation Allowances" and FMS procedures for advancing, obligating, and deobligating PCS travel funds.

Inadequate FSC employee experience, knowledge, and training were contributing causes of poor customer service provided to VA facilities. Surveyed VA facility employees reported that they performed PCS travel functions instead of the FSC; experienced problems contacting FSC employees; and thought the FSC needed to improve its problem solving abilities, timeliness, and accuracy. The majority of survey respondents, 78 (72 percent) of 109 were of the opinion that the FSC was not accomplishing its vision of exceeding customers' expectations. The FSC also provided poor customer service to VA facilities by unnecessarily tying up VA facility funds in PCS travel obligations and advances.

The FSC's capability to effectively administer the PCS travel program was limited because of inadequate employee experience, knowledge, training, and staffing shortages. Staffing shortages negatively affected FSC capabilities from April 2003, when the FSC began centralized processing of PCS travel, through November 2005. During 24 months (75 percent) of the 32-month period of April 2003–November 2005, the FSC had PCS travel program staffing shortages ranging from one to seven vacancies. As of November 2005, the FSC had 17 filled and 5 vacant PCS travel positions.

Another factor limiting the FSC's capabilities was delays in implementing a web-based PCS travel application that provides accurate, detailed, and real-time tracking of the entire move process from initial PCS authorization to final claim payment. FSC plans for



developing this software began in November 2004. However, as of January 2006, more than 14 months later, the software application had not been implemented.

**Allegation 8. Did FSC employees have inadequate PCS travel experience, knowledge, and training?**

Yes. Our audit of FSC employee personnel and training records, PCS travel obligations and advances, and our interviews of FSC employees with PCS travel responsibilities substantiated the allegation.

The complainant alleged that FSC employees had inadequate PCS travel experience, knowledge, and training.

**Inadequate PCS Travel Experience.** The 17 FSC employees with PCS travel responsibilities had limited PCS travel-related experience. VA policy requires managers to hire qualified candidates that have the experience, training, education, skills, knowledge, and abilities to perform successfully.<sup>6</sup> Of the 17 employees, 10 (59 percent) had no PCS travel-related work experience during the 10-year period before they were hired. These 10 FSC employees had minimal experience in performing duties related to PCS travel, such as providing transferring employees relocation counseling, preparing PCS travel authorities, and processing PCS travel advances and claims. We identified two contributing causes of inexperience—inaccurate vacancy announcements and FSC employee turnover.

The FSC routinely recruited employees using vacancy announcements that inaccurately described the PCS travel position duties and the specialized experience requirements. As a result, candidates applying for PCS positions were less likely to possess the skills and experience necessary for the positions. The duties listed in the vacancy announcements did not include PCS travel, but instead included more than 20 other duties, such as budgeting, auditing, procurement, purchasing, and operating program analysis. Although general travel-related duties of examining vouchers, invoices, and claims for reimbursement of expenditures were noted, PCS travel was not specifically mentioned.

In addition, the vacancy announcements' specialized experience requirements did not include PCS travel experience. Instead, the experience requirements in the announcements listed the ability to maintain financial accounts and accounting data, classify accounting transactions, verify the completeness and accuracy of such data, and knowledge of purchase orders and contract review for regulation compliance and assignment against appropriated funds.

FSC managers told us vacancy announcements for PCS travel positions included a wide range of duties and specialized experience that was not related to PCS travel because they wanted to hire employees who could be reassigned to different operations of the FSC.

---

<sup>6</sup> VA Handbook 5005, "Staffing," Part II, Chapter 2, Section A, Paragraph 3c, dated April 15, 2003.

However, to recruit employees for PCS travel positions, the FSC should use announcements that include PCS travel experience in the list of specialized experience required for the position and PCS travel duties in the description of the position duties.

FSC employee turnover was another contributing cause of inexperience. During 2005, the turnover rate for employees working with PCS travel services was over 49 percent (8 separated ÷ 16.25 average number of employees = 49.23 percent). A certain amount of turnover can be expected. However, the 1-year turnover rate of 49 percent was high and resulted in a significant loss of FSC employees with PCS travel-related experience.

**Inadequate Knowledge.** We determined that FSC employees had inadequate knowledge of the FTR, Chapter 302, "Relocation Allowances" and FMS procedures for advancing, obligating, and liquidating PCS travel funds. VA policy requires supervisors to ensure that employees have the knowledge, skills, and abilities to perform their assignments.<sup>7</sup>

Initially, we assessed FSC employee knowledge of the FTR, Chapter 302, "Relocation Allowances" by interviewing each of the 13 non-managerial PCS travel employees. We asked them eight questions regarding the FTR, Chapter 302 that we believed they should have been able to answer correctly. The 13 employees answered 71 (68 percent) of the 104 (eight questions x 13 employees) questions incorrectly or incompletely. The 68 percent incorrect or incomplete response rate indicated that the employees did not adequately understand the FTR, Chapter 302 requirements.

Because the PCS travel employees were unable to correctly answer our FTR, Chapter 302 questions, we evaluated their knowledge further by reviewing a sample of 10 PCS cases identified in e-mails provided by the complainant to determine if the employees processed the claims in accordance with the FTR, Chapter 302 requirements. All of the PCS cases did not comply with one or more of the four FTR, Chapter 302 requirements shown in the table below.

**Table 5. PCS Case Review Examples Illustrating Inadequate Knowledge of the FTR**

Description	Number of Cases
Did not obtain from transferring employees the FTR-required copies of residence sale and purchase agreements and loan documents.	8
Improperly prepared initial Travel Authorities that included shipment of privately owned vehicles without obtaining the FTR-required justification.	4
Improperly prepared initial Travel Authorities with transferring employees' reporting dates before the dates of Service Agreements and Travel Authorities.	3
Improperly prepared initial Travel Authorities that granted temporary quarters for more than 30 days instead of the FTR-required increments of 30 days or less.	2

The results of the sampled PCS case reviews and the high percentage of incorrect or incomplete FSC employee responses to eight questions demonstrated that knowledge of

---

<sup>7</sup> VA Directive 5015, "Employee Development," Paragraph 3a, dated April 15, 2002.

the FTR, Chapter 302 requirements was inadequate and that additional training was needed.

To assess the adequacy of FSC employee knowledge of FMS procedures for advancing, obligating, and deobligating PCS travel funds, we reviewed FMS transactions for the 179 VISN 7 episodes of travel from July 2003–November 2005. For 63 (35 percent) of the 179 moves, proper FMS procedures were not performed. For example, PCS travel claims were not promptly reconciled with FMS records, and PCS travel funds were overobligated in FMS.

**Inadequate Training.** Our audit determined that FSC employees had received inadequate training on the FTR, Chapter 302 requirements and FMS procedures for advancing, obligating, and deobligating PCS travel funds. Regulations require Federal agencies to ensure employees receive training that makes them capable of achieving agency missions.<sup>8</sup> In addition, VA policy requires employees to receive the training necessary to enable them to perform their present duties in an effective, efficient, and increasingly productive manner.<sup>9</sup>

To determine the type and amount of training received by the 13 non-managerial employees since PCS processing was centralized at the FSC, we reviewed available training records and interviewed the employees. FSC employees had prepared Individual Development Plans (IDPs) for 2004 and 2005 that listed planned training. However, all the IDPs were incomplete because they did not show the actual training received. The FSC had a list showing the type of training FSC employees had received, such as the FTR, home sale process, Document Management System Indexing System, and FMS. However, the FSC did not have documentation showing which employees attended each course or the amount, days or hours, of training received.

Because FSC employee IDPs were incomplete, we interviewed each employee to determine the amount of FTR, Chapter 302 and FMS training each employee had received. During the 2-year period of 2004–2005, the amount of FTR, Chapter 302 training provided was 4 days for nine employees and 2 days for four employees. In addition, the amount of FMS training provided was a half-day for seven employees and none for six employees. The amount of FTR, Chapter 302 and FMS training received by employees and the inadequate employee experience and knowledge were contributing causes of poor customer service and the ineffective administration of the PCS travel program.

---

<sup>8</sup> Code of Federal Regulations, Title 5, Chapter 1, Part 410.202, “Integrating Employee Training and Development with Agency Strategic Plans,” dated January 1, 2004.

<sup>9</sup> VA Handbook 5015, “Staffing,” Paragraph 3a1, dated April 15, 2002.

## **Allegation 9. Did the FSC provide poor PCS travel customer service?**

Yes. Our audit of FSC's customer survey results, PCS travel obligations and advances, and our survey of VA facilities substantiated the allegation.

The complainant alleged that the FSC provided poor PCS travel customer service. The FSC has two main PCS travel customers—VA facilities which pay the FSC for PCS travel services and transferring employees who relocate from one VA facility to another. For VA facilities, high-quality FSC service includes accurately and promptly performing PCS travel functions such as counseling transferring employees, assisting transferring employees with travel voucher preparation, and obligating and deobligating PCS travel funds. For transferring employee customers, high-quality FSC service includes providing accurate relocation counseling, ensuring appropriate benefits are received, and promptly paying travel reimbursement claims.

The FSC's mission and vision statements emphasize the importance of customer service. The mission statement begins with: "Provide accurate, timely, customer-oriented financial services ...," and the vision statement begins with: "Exceed our customers' expectations through a discipline of excellence, creating world-class products and services."

### **FSC Needed to Change How Surveys Were Distributed to Transferred Employees.**

The audit did not substantiate poor FSC service to transferred employee customers. However, the audit did conclude that FSC's procedures for distributing customer surveys to transferred employees may have caused the survey results to misrepresent transferred employee satisfaction. FSC travel counselors were responsible for distributing the surveys to all transferred employees that had been assigned to them. Requiring FSC travel counselors to distribute surveys to transferred employees they assisted represented a conflict of interest. For example, if an FSC counselor was aware that a transferred employee was not satisfied with the service provided, the FSC counselor may not have distributed the survey. In addition, the FSC had no controls to ensure that FSC counselors distributed the survey to every transferred employee. FSC managers agreed that they needed to change how surveys were distributed to transferred employees.

**FSC Provided Poor Service to VA Facilities.** Our survey of 145 VA facility employees nationwide who assisted transferring employees with PCS travel and our audit of PCS travel obligations and advances concluded that the FSC provided poor customer service to VA facilities. As of January 2006, the FSC did not have a customer survey program for VA facility PCS travel customers. As a result, the FSC could not adequately assess the quality of service provided to VA facilities or determine if it was accomplishing its vision of exceeding VA customer expectations. To assess the quality of FSC service provided to VA facility customers and determine whether the allegation of poor customer service was valid, we surveyed VA facility employees who assisted transferring employees with PCS travel.

The FSC did not have a complete and current list of its VA facility customers. To identify VA facility employees nationwide who had PCS travel responsibilities and interacted with the FSC, we e-mailed 982 VA facility employees a link to a web-based customer survey. The employees were listed on one or more of four VA employee e-mail listings—two lists of VA facility customers provided by the FSC, a list of employees who were members of the VA Relocation Services Coordinators Outlook Group, and a list of employees who were members of the VHA National Fiscal Officers Outlook Group.

The fourth survey question asked: “Do you assist employees at your facility with PCS travel?” If the response to this question was no, the employee could not complete the remainder of the survey. If the employee responded yes to this question, the employee could proceed with the remainder of the survey. Of the 982 employees we e-mailed, 331 completed the first 4 questions of the survey. Of these 331 employees, 145 responded yes to the fourth question. The survey responses for these 145 VA facility employees indicated that the FSC provided poor customer service. Four examples of survey responses illustrating poor customer service are discussed below.

**VA Facilities Performed Services They Paid the FSC to Perform.** Survey respondents reported that they performed PCS travel functions that VA facilities paid the FSC to perform. For example, VA facilities paid the FSC to provide PCS counseling and to assist in completing PCS travel vouchers. However, 50 percent of respondents reported that they provided PCS travel counseling, and 49 percent of respondents reported that they assisted in completing PCS travel vouchers. The survey asked the question: “Which of the following PCS-related functions do you perform (select all that apply)?” Respondents could select one or more of six PCS travel functions that VA facilities pay the FSC to perform. Table 6 shows the number and percent of respondents who selected each of the six PCS functions listed in the survey.

**Table 6. PCS Travel Functions Performed by VA Facility Survey Respondents**

<b>PCS Travel Function</b>	<b>Number of Respondents</b>	<b>Percent of Respondents</b>
Counseling	72	50%
Assisting in completing vouchers	71	49%
Reviewing vouchers for compliance with the FTR	48	33%
Deobligating PCS travel funds	44	30%
Obligating PCS travel funds	39	27%
Establishing bills of collection	20	14%
<b>Total Respondents</b>	<b><u>145</u></b>	<b><u>100%</u></b>

**FSC Travel Counselors Were Not Accessible.** Survey results showed that VA facility customers experienced problems contacting FSC travel counselors. Of the 113 employees who responded to the survey question “Have you experienced any problems contacting FSC’s PCS counselors (telephone, e-mails, faxes)?”, 42 (37 percent) answered yes.

**FSC Problem Resolution, Timeliness, and Accuracy Needed Improvement.** Survey respondents reported that the FSC's problem resolution, timeliness, and accuracy needed improvement. Fifty-six percent of survey respondents reported that the FSC needed to improve its ability to resolve problems, 55 percent reported that timeliness needed improvement, and 42 percent reported that claim processing accuracy needed improvement.

**FSC Was Not Exceeding Customer Expectations.** To determine whether the FSC was accomplishing its vision statement of exceeding customer's expectations, the survey asked the question: "Has the PCS service provided by the FSC exceeded your expectations?" Of 109 customers who responded to this question, 78 (72 percent) answered no.

Poor FSC customer service to VA facilities was also substantiated by our audit of PCS travel obligations and advances. Obligor and advancing the appropriate amount of VA facility funds for PCS travel and promptly deobligating unused PCS travel funds are important to VA facility customers because they do not want their PCS travel funds unnecessarily tied up in PCS travel obligations. Our audit concluded the FSC was overobligating PCS travel funds, advancing excess funds, and taking too long to collect outstanding travel advances and deobligate PCS travel funds.

**Allegation 10. Was the FSC incapable of effectively administering VA's PCS travel program?**

Yes. Our audit of FSC employee experience, knowledge, and training; historical staffing and workload levels; and the FSC's web-based PCS travel application initiative substantiated the allegation.

The complainant alleged that the FSC was incapable of effectively administering VA's PCS travel program. We determined that the FSC's ability to effectively administer the PCS travel program was limited because of inadequate FSC employee experience, knowledge, training, staffing shortages, and delays in implementing a web-based PCS travel application.

In our opinion, staffing shortages negatively affected FSC capabilities from April 2003, when the FSC began centralized processing of PCS travel, through November 2005. During 24 months (75 percent) of the 32-month period of April 2003–November 2005, the FSC had PCS travel staffing shortages ranging from one to seven vacancies. As of November 2005, the FSC had 17 filled and 5 vacant PCS travel positions.

Unanticipated increases in workload were often the reasons for the staffing shortages. For example, in early 2003, based on historical VA-wide PCS travel workload, the FSC estimated an annual workload of 663 moves. Based on this workload estimate, the FSC filled 14 PCS travel positions with 13 permanent employees and 1 temporary employee. However, during the first 12-month period (April 2003–March 2004) of PCS

centralization, the FSC received travel authorities for 914 moves, 251 moves (38 percent) higher than FSC's estimate. In response to the unexpected workload increase, the FSC attempted to increase the PCS travel staffing level to 18 employees. However, by March 2004, the staffing level had only increased to 15 employees, which included 2 temporary employees.

On November 15, 2005, FSC managers were notified of another unanticipated increase in workload when VISN 16 requested 1,000 moves to relocate VA employees affected by Hurricane Katrina. To address this workload increase, on January 9, 2006, six temporary PCS travel employees were hired. As of January 2006, the PCS travel staffing level of 24 was the highest staffing level since PCS travel services were centralized. However, before January 2006, the FSC's history of staffing shortages had significantly limited its capabilities to effectively administer the PCS travel program.

Another factor limiting the FSC's capabilities was delays in implementing a web-based PCS travel application. As discussed above in Allegation 7, the planned software application would increase the FSC's capabilities by providing accurate, detailed, and real-time tracking of the entire move process from initial PCS authorization to final claim payment.

## Conclusion

FSC managers needed to strengthen administrative controls over the PCS travel program. Our review disclosed employees had inadequate knowledge of the FTR, Chapter 302. We also identified staffing shortages and delays in implementing a web-based PCS travel application that upon implementation could improve customer service to VA facilities.

**Recommended Improvement Action 2.** To address issues pertaining to the administration of VA's PCS travel program, we recommended the Assistant Secretary for Management ensures that the FSC:

- a. Ensures all FSC employees with PCS travel responsibilities receive adequate training on PCS travel processing, FMS, and the FTR, Chapter 302.
- b. Modifies future vacancy announcements to include an accurate description of PCS travel duties and specialized experience requirements.
- c. Ensures that customer surveys are distributed to all transferred employees.
- d. Develops and implements a method of measuring the quality of customer service provided to VA facilities.

The Assistant Secretary for Management agreed with the findings and recommendations. He reported that employees received training on FMS applications in February 2006 and will receive training on FTR, Chapter 302 by April 2006. Further, the FSC will develop

a comprehensive training program for the PCS travel team. Future vacancy announcements will describe PCS travel duties and include requirements for specialized experience. The FSC survey coordinator will distribute surveys to all transferred employees and surveys will be sent to personnel at VA facilities periodically to receive feedback on customer service. The improvement actions are acceptable, and we will follow up on the completion of planned actions.



### **Issue 3: Whether the Financial Services Center Was Not a Cost-Effective Source for Administering the Permanent Change of Station Travel Program**

The complainant alleged: (1) the FSC's fee for providing PCS services was too high, (2) VA and the FSC inadequately explored outsourcing PCS services, and (3) centralizing of PCS services at the FSC failed to reduce the number of FTE at individual VA facilities.

#### **Findings**

Our audit substantiated one of the three allegations. While reviewing VA's plans to outsource for certain PCS-related services, we found that VA inappropriately sought a sole-source task order by issuing a RFQ to a vendor without an approved justification for sole-source as required by the Federal Acquisition Regulation (FAR), Part 8. The FAR, Part 8 contains provisions for ordering services from contractors on the GSA's Federal Supply Schedule (FSS). Except under limited circumstances, agencies are to provide RFQs to at least three FSS contractors that offer services that will meet the agency's needs. We also found that because of the great uncertainty regarding the volume of services needed under the planned task order, obtaining a fixed-price IDIQ or Requirements agreement would be more economically sound than the planned definite quantity firm-fixed-price task order. Finally, we found that a protest filed by another contractor after the vendor was awarded a separate contract in March 2005 to provide relocation services had not been resolved. Therefore, the award of the sole-source task order, for the reasons stated in the draft justification, could impede any corrective action VA agreed to take to resolve the protest.

#### **Allegation 11. Was the FSC's fee for providing PCS services too high?**

No. Our audit of vendor prices on the GSA schedule and responses to a VA request for proposals, interviews of VA employees, and interviews of employees of other Franchise Funds and other Government agencies did not substantiate the allegation.

The complainant alleged that a private contractor could provide the same PCS services as the FSC for about \$300 less per move. We found no evidence that VA had received a proposal to provide the same PCS services for \$300 less than what the FSC charged. Further, to determine whether the FSC fee was comparable to fees charged by other entities providing PCS services, we reviewed the FSS and found that the published rates of vendors on the FSS for comparable services were similar to the FSC's fees. We also contacted other Government agencies that used vendors on the FSS and found that the rates they were being charged, while discounted from FSS prices based on volume, were not significantly lower than the rates listed on the schedule. The FSC fee was also less

than the fee charged by another Franchise Fund. In addition, we determined the FSC lost about \$1.3 million in their PCS business line in FY 2005.

**Allegation 12. Did VA and the FSC inadequately explore outsourcing PCS services?**

Yes. Our audit of VA contract files and interviews of VA employees substantiated the allegation.

The complainant alleged that VA did not adequately explore outsourcing PCS services for the over 600 transferring employees who required relocation as a result of Hurricane Katrina. We reviewed contract files and conducted interviews of VA employees, including FSC management and VA contracting employees, and found that VA planned to outsource PCS services for VA employees affected by Hurricane Katrina. As of January 2006, VA was negotiating the terms of a task order with the vendor to provide entitlement counseling and voucher review services for eligible employees.

However, VA planned to procure these services by awarding a sole-source task order. We identified concerns with the justification supporting the planned sole-source task order; the impact the contract type would have on the pricing of the task order; and the possible impact the sole-source award of the task order would have on an unresolved protest filed, after the award of a contract to the vendor in March 2005, for relocation services relating to home purchases and sales. Because the planned procurement had already experienced delays and we recognized the need for these services, we expedited our review of the planned procurement. On February 1, 2006, we issued a White Paper, *VA OIG Analysis of Planned Sole-Source Task Order for Relocation Services – Counseling, Voucher Review, Training*, to the Assistant Secretary for Management, which included our findings, conclusions, and recommendations with respect to this planned procurement. The results and recommendations developed during our review are presented here as well.

On or about September 8, 2005, the Transportation and Relocation Services (TRS) office in OA&MM e-mailed OA&MM's Acquisition Operations Service to procure additional relocation services for VISN 16 employees who were displaced by Hurricane Katrina. Records indicate that no action was taken to address this need until the first week of November 2005. Because the FSC could not handle the unexpected increase in workload, it was determined that a contract was necessary.

In November 2005, concerns arose as to which program office, the FSC or the TRS office, would be responsible for the administration of the anticipated task order. On November 18, 2005, the Associate Deputy Assistant Secretary for Acquisitions decided that the FSC would be the Contracting Officer's (CO's) Technical Representative for the task order.

The vendor currently provides relocation services (for example, assistance with selling homes) to VA's transferring employees. These services are provided under a contract awarded in March 2005. Because issues relating to the protest of the award of this contract to the vendor were still outstanding, it was determined that VA could not modify that contract to add the required services. On November 10, 2005, the CO decided to procure the services by issuing a sole-source task order against the vendor's current FSS contract with GSA. On December 27, 2005, VA issued a sole-source RFQ to a vendor. The RFQ described the procurement as a firm-fixed-price task order for voucher reviews and entitlement counseling services for 1,000–1,500 employees. The RFQ did not limit the services to employees displaced by Hurricane Katrina.

In early January 2006, the vendor submitted a quotation to provide the services to 1,500 employees at a firm-fixed-price of \$1,376,300. The quotation exceeded the FSS contract's \$1,000,000 maximum order limitation. After discussions with the CO, the vendor submitted a revised quotation of \$709,440 to provide services to 800 employees. The most significant factor contributing to the lower price in the revised quotation was the number of employees to whom the vendor would be providing these services—800 employees compared to the 1,500 in the vendor's initial quotation.

**Is there supportable justification for a sole-source procurement?** Although VA issued an RFQ for a sole-source task order to a vendor on December 27, 2005, and received a quotation in response, as of January 26, 2006, the sole-source justification required under the FAR, Part 8 had not been finalized by the CO or approved by OA&MM's Competition Advocate. On January 26, 2006, the CO stated that she considered three justifications to support the sole-source award of this task order: urgent and compelling need, the task order was a logical follow-on to the existing contract, and only one responsible contractor could perform the services. As discussed below, based on our review of all the information made available to us, it is our conclusion that the facts do not support any of these justifications. It is important to note, however, that it does not appear the FSC provided sufficient information to the CO to support their request for a sole-source task order.

**Urgent and Compelling Need.** Contract files and interviews with the CO revealed that the initial basis for a sole-source task order was an urgent and compelling need. However, as months passed, this was no longer a valid justification. The CO explained that the primary urgency was to initiate the relocation process immediately because the emergency funds that were being used to pay the per diem expenses of displaced employees were going to be discontinued. However, on December 9, 2005, the time limits for these funds were extended, and there was no longer an urgent and compelling need. The CO told us that she no longer considered urgent and compelling need as a valid justification to support the sole-source procurement.

Follow-On Contract. Regarding whether the sole-source task order was a follow-on to the relocation services contract, the CO defined a follow-on contract as one that was needed to complete services that were not completed under the original contract. The services to be provided under the proposed task order were separate and distinct from the services provided under the existing contract. Therefore, using the CO's definition, we concluded that the task order was not a logical follow-on to the existing contract.

The most recent justification, prepared by the CO on January 20, 2006, contained the following statements to support the sole-source justification on the basis that it was a follow-on to the existing contract:

Because the two line items being awarded under this action were inadvertently omitted from the larger contract action, this action is necessary. The larger contract was a competitive action and it is the decision of the contracting officer that it would not be in the Government's best interest to attempt to negotiate these line items into that contract.

It was our understanding that the current contract awarded in March 2005 included these items as we requested. Our intent was to be prepared for an eventuality such as this emergency.

The statement that the items were inadvertently omitted from the contract awarded to the vendor in March 2005 was not supported by any of the records in the contract file. The services were listed in the schedule in the solicitation and were identified as "optional services"; however, an April 13, 2004, amendment to the solicitation advised potential bidders that these services were being provided by VA. The amendment also stated that prices proposed for some of the optional services listed, which included entitlement counseling, would be considered in the price analysis, but that prices proposed for other optional services, including voucher review, would not be considered in the evaluation. It did not appear that vendors were required to price the options. The contract files relating to the selection process and award decision did not address these services and did not provide any insight into why they were not awarded.

We reviewed a synopsis prepared by the CO, consisting of a spreadsheet listing the proposed prices from all responsible vendors who submitted bids for the contract that was awarded to the vendor in March 2005. The synopsis, which was used in the source selection process, did not list any prices from the vendor for voucher review or entitlement counseling. However, the synopsis did include prices proposed by the other bidders for voucher review and entitlement counseling.

To determine if the vendor's proposed prices were inadvertently excluded from the synopsis, we reviewed the pricing proposals submitted by the vendor. The vendor submitted six alternate pricing proposals with its offer. Only one proposal listed prices

for voucher review and entitlement counseling services. We could not determine which of the six proposals was used in the source selection process or how it was selected. However, it was clear that the pricing analysis used in the selection process did not include a review of prices proposed by the vendor for these services, and there was no evidence that these services were inadvertently not awarded.

To further support the sole-source justification on the basis that the task order was a follow-on, the January 20, 2006, draft justification states that these services were "...intertwined with the current Relocation Services Contract. . . There is no one point in the entitlement counseling process where it would stop and the Relocation Services Contract would start." This same statement was contained in a draft justification submitted by the TRS office on November 21, 2005. This is not a valid argument to support the justification because the process is, and always has been, done by separate entities. When a task order is awarded, it will only cover the services provided to employees who are being relocated as a result of Hurricane Katrina; other relocating employees will be provided some services by FSC personnel and other services under the contract with the vendor for relocation services.

Only One Source. The third justification for a sole-source task order was that only the vendor could perform the services because the review of vouchers would require the vendor to release proprietary information to another contractor reviewing vouchers. This argument appears to relate only to the voucher review services, not to entitlement counseling. The January 20, 2006, draft justification states:

Only one source. There are other relocation providers available, but at this time only one source and no other suppliers will satisfy agency relocation requirements. There is proprietary information dealing with cost and performance information associated with [the vendor]. The cost and performance information is associated with fees and services being provided under home sales and performance under those services. In order for any company to audit invoiced invoices of any employee being services [sic], the company would need to have this information. The release of this information by [the vendor] would reveal their fee structure to a competitor.

We concluded there was inadequate support for this justification. There was nothing in the RFQ indicating that voucher reviews would involve the vendor's proprietary data. The CO was unable to provide any information to support this argument and told us that she had not seen these vouchers. In addition, we could not find any reference to proprietary data in the communications between the CO and the FSC that we were provided. The RFQ described the scope of work for voucher reviews and payment as follows:

The contractor shall provide proactive guidance to employees on reimbursable and not reimbursable expenses throughout the move to minimize out-of-pocket expenses and unnecessary costs to VA and calculate appropriate reimbursement and audit all invoices that are associated with a move authorized by this contract. Contractor's guidance shall include instructions for completing, submitting and receiving payment of approved expenses. Expense forms and instructions for completing the forms shall be provided to the contractor immediately following contract award. The contractor will assist employees in completing these expense reports.

The items included in the vouchers are expenses incurred by the employee. Under the relocation services contract, all billing for services provided by the vendor is between VA and the vendor, not the employee. Even if charges from the vendor were included, the contract prices are flat rates and are available to the public. They are not proprietary.

**Task Order Pricing.** We identified several concerns regarding the pricing of this task order. The RFQ was for a firm-fixed-price task order, and it identified a need for services to be provided to 1,000–1,500 employees. The initial quotation, \$1,376,300, was based on providing services to 1,500 employees. The revised, and most current, proposal from the vendor, \$709,440, was based on providing services to 800 employees. On January 30, 2006, we asked FSC management to identify the estimated number of transferring employees who will require the services and to explain how the number was determined. FSC management informed us that the information was coming from VISN 16 and was "...their best guess estimate." FSC management was working with VISN 16 to monitor the number of employees registering in the special placement program.

Unless VA can identify an accurate number of employees who will be using these services, we recommend that the RFQ be re-issued as a fixed-price IDIQ or Requirements task order. If the RFQ is re-issued as a Requirements task order, it should limit the services to employees who are being relocated as a result of Hurricane Katrina so as not to affect the services expected to be provided by the FSC to transferring employees outside of VISN 16. However, if VA believes the services may be needed for employees who are being relocated for other reasons, we believe an IDIQ task order would be the appropriate contracting vehicle. Whether IDIQ or Requirements based, each line item should be priced separately (that is, entitlement counseling per employee, voucher review per homeowner employee, and voucher review per renter employee).

In its original quotation, the vendor did not offer any discounts off its current FSS prices even though the quotation for the volume of services exceeded the maximum order limitation and the RFQ "strongly encouraged" them to offer discounted pricing from

established labor rates.<sup>10</sup> In the revised quotation, the vendor only discounted one line item, voucher reviews for homeowner employees (30 percent of the estimated units). For this item, the price was reduced by about 16 percent from the original quotation. Given the volume of services that may be acquired under this task order, VA should be able to obtain discounts from the FSS prices on all items.

Recognizing that vendors may be reluctant to offer larger discounts for a task order in which the quantity of services to be purchased is unknown and the range of the estimated quantities is fairly wide, as it appears to be in this case, we recommend considering a tiered pricing structure or a structure that allows for rebates if the number of employees requiring services exceeds a specific quantity.

**Protest of the Current Relocation Services Contract.** After the current relocation services contract was awarded to a vendor in March 2005, a competitor filed a protest with the Government Accountability Office (GAO) on June 6, 2005. The protest challenged VA's cost/pricing analysis. In a July 12, 2005, letter to VA, GAO dismissed the protest based on VA's assurance that it would take corrective action. GAO's letter to VA stated:

Following submission of [the competitor's] protest, the VA advised our Office that it will "undertake corrective action in the instant protest by reviewing and re-evaluating proposals to the extent necessary to ensure that pricing has been evaluated in accordance with the terms of the solicitation," and will "prepare a revised source selection decision consistent with the Federal Acquisition Regulations, terminating the original award if determined necessary."<sup>11</sup>

Based on a review of the records and an interview with the CO responsible for this contract, it is our understanding that VA has not taken any corrective action in response to the protest. On October 10, 2005, the protestor's counsel sent a letter requesting that VA provide the current status of VA's overdue corrective action. Because VA did not respond to the letter, the protestor's counsel sent a second letter to VA on October 28, 2005, citing the delay and the fact that the vendor was continuing to perform under the contract as support for their contention that VA was not acting in good faith. In an October 31, 2005, letter to protestor's counsel, a CO stated that VA fully intended to take the corrective action and was in the process of preparing a revised source selection decision within the next 60 days. VA further noted that they had contacted the Defense Contract Audit Agency (DCAA) to ensure that the price was evaluated in accordance

---

<sup>10</sup> The basis for referencing labor rates in the RFQ is not clear. The pricing structure in the FSS contracts for the vendor and other vendors offering these services is not based on labor categories or labor rates. The prices are a flat fee for each service.

<sup>11</sup> The VA General Counsel cited a July 6, 2005, letter from VA to the GAO.

with the terms of the solicitation. The 60 days expired on December 31, 2005. No corrective action has been implemented and no specific action has been planned.

On January 26, 2006, the CO told us that she was told by VA General Counsel that corrective action was needed. She said that the mindset of VA management is to resolve the problem by not exercising the first option year of the current contract. However, no decision had been made. The CO also told us that she met with DCAA in December 2005, but that this was an informational meeting only and that DCAA had not done any work for VA on this issue. She told us that the correction to the pricing evaluation on the contract had not begun as senior management had not decided how VA will proceed.

The contract with the vendor for relocation services expires on March 22, 2006, unless VA exercises the first of five option years. If it is VA's intent to allow the contract to expire, we are concerned that no action has been taken to develop and issue a solicitation, RFQ, or Request for Proposals for a new contract. If the contract expires, the relocation services that are currently provided VA employees will not be available to any VA employee, including those who are being relocated because of Hurricane Katrina.

In our opinion, VA's efforts to award a sole-source task order to the vendor for voucher review and entitlement counseling services on the basis that the services are so interrelated that only one contractor can provide the services would be inconsistent with the corrective action that VA may need to take to resolve the issues in the protest.

**Allegation 13. Was the number of full-time equivalent employees at individual VA facilities reduced when PCS services were centralized at the FSC?**

No. Our audit of the proposal to centralize PCS services at the FSC and VA management's responses to the proposal and interviews with VA employees did not support the allegation.

The complainant alleged that the centralization of PCS services at the FSC did not reduce the number of FTE at individual VA facilities. However, we reviewed documents related to the centralization of PCS services and interviewed VA employees regarding the objectives of centralizing PCS services and found that reducing field employees was not a goal of centralizing PCS services. The goals of centralization included streamlining claim reimbursement processing, recovering overpayments, strengthening internal controls, and relieving stations of burdensome follow-up collection activities. Our interviews and surveys of personnel involved in processing employee moves prior to centralization revealed that PCS-related duties were collateral duties, not full-time responsibilities. While facility personnel confirmed that the number of FTE was not reduced at individual VA facilities, PCS-related workload diminished with the centralization of PCS services at the FSC.



## Conclusion

VA managers needed to improve controls over outsourcing PCS travel services. We identified issues involving the planned sole-source purchase of PCS-related services from the vendor. VA inappropriately issued a sole-source RFQ to the vendor without an approved justification. We reviewed the three proposed sole-source justifications and determined that none had merit.

Because the number of employees who will be using these services is unknown, a firm-fixed-price task order may not be in VA's best interest. VA would benefit from a fixed-price IDIQ or Requirements agreement that includes pricing incentives to allow for discounts or rebates relating to the quantity of services purchased.

We also concluded that the issues that VA agreed to resolve in response to the protest that was filed when the vendor was awarded a contract in March 2005 had not been addressed and that the current effort to award the vendor this task order on the basis that the vendor is the only contractor who can perform the services may impede the required corrective action.

**Recommended Improvement Action 3.** To address issues pertaining to the planned award of a sole-source task order, we recommended the Assistant Secretary for Management ensures that OA&MM:

- a. Competes the requirement for entitlement counseling and voucher services for those affected by Hurricane Katrina under the provisions in the FAR, Part 8.
- b. Changes the RFQ to provide entitlement counseling and voucher services to a fixed-price IDIQ or a Requirements task order that includes tiered pricing or a rebate structure to encourage discounted pricing.
- c. Takes immediate action to resolve outstanding issues relating to the protest of the existing contract with the vendor without interruption or disruption of the services needed by VA employees who are relocating.

The Assistant Secretary for Management agreed with the findings and recommendations. He reported that the requirement for services for those affected by Hurricane Katrina has been competed via the GSA schedule and that the resultant task order will include a firm-fixed price. To address the protest of the relocation services contract, VA competitively re-competed for relocation services via the GSA schedule, and no disruption of services is expected. The improvement actions are acceptable, and we will follow up on the completion of planned actions.

## Schedule of Outstanding Permanent Change of Station Travel Obligations

	Travel Order Number	Marked Partial Claim	BOC									Amount To Be Deobligated
			1208 Temporary Quarters	1208 Miscellaneous	1209	1210	2101	2102	2105	2230	2530	
1	5084T1002				14,819.00					1,645.75	5,315.28	\$21,780.03
2	508T35004				23,000.00							23,000.00
3	508T41003				9,039.34							9,039.34
4	508T41007										6,900.00	6,900.00
5	508T51004	X					301.20		133.00			434.20
6	508T51010	X	6,961.50						196.00			7,157.50
7	5095T1005	X		500.00		9,701.49						10,201.49
8	5095T1008		2,048.00									2,048.00
9	509T41003										977.90	977.90
10	509T41005	X					81.00			203.51		284.51
11	509T41006			500.00			99.83		49.00			648.83
12	509T41007	X					48.75			7,800.69		7,849.44
13	509T41008	X					218.10		15.50			233.60
14	509T51003	X								3,816.72	7,515.07	11,331.79
15	509T51008	X				4,747.77				5,972.16	616.82	11,336.75
16	509T51010	X					50.30		15.50	8,707.08	5,509.12	14,282.00
17	509T51013	X					134.00		15.50			149.50
18	509T51014	X				2,355.67				8,888.50	7,206.00	18,450.17
19	509T51015								28.00			28.00
20	509T51016	X								4,145.55	3,158.61	7,304.16
21	521T41002				7,628.59							7,628.59
22	521T41003	X	2,537.00								6,550.32	9,087.32
23	521T41004	X								3,099.12	2,623.05	5,722.17
24	521T41005	X					24.70			8,762.79	7,345.91	16,133.40
25	521T41006	X	3,855.55				29.75			832.81	1,731.67	6,449.78
26	521T51001	X							56.00			56.00
27	521T51002		2,730.00									2,730.00
28	521T51003	X								6,265.04	5,297.87	11,562.91
29	534T35002						95.00					95.00
30	534T35003	X					117.00		28.00	8,202.86	5,075.00	13,422.86
31	534T35005						103.00		28.00	8,774.00	6,367.00	15,272.00
32	534T61001	X							56.00	2,771.50		2,827.50
33	544T35006	X					112.00		35.50	1,941.32	2,759.00	4,847.82
34	544T41015										11,478.70	11,478.70
35	544T41017			1,000.00								1,000.00

Appendix A

	Travel Order Number	Marked Partial Claim	BOC									Amount To Be Deobligated
			1208 Temporary Quarters	1208 Miscellaneous	1209	1210	2101	2102	2105	2230	2530	
36	544T51007								28.00	875.98	5,605.72	6,509.70
37	544T51008								56.00			56.00
38	544T51010										1,000.00	1,000.00
39	544T51011										1,368.04	1,368.04
40	544T51012						95.80			11,200.57	1,000.00	12,296.37
41	544T51013	X					52.75		28.00	1,139.42	1,368.00	2,588.17
42	544T51015	X					557.12		112.00	1,564.40	1,000.00	3,233.52
43	557T1005										6,063.00	6,063.00
44	557T41010	X	2,313.79									2,313.79
45	557T51006	X								9,829.59	6,063.00	15,892.59
46	557T51010	X					342.60			4,510.18	3,472.85	8,325.63
47	619T5105	X	2,550.00	500.00			24.80			6,723.72	6,270.00	16,068.52
48	619T35101	X					77.00			5,268.57	5,075.00	10,420.57
49	619T35102	X					302.00		84.00	3,246.30	5,243.14	8,875.44
50	619T35103	X					383.00		112.00	8,141.06	2,850.95	11,487.01
51	619T41000						1,039.00		385.00			1,424.00
52	619T41002	X	7,741.83		7,500.00				112.00	2,642.52	6,270.00	24,266.35
53	619T41003	X					3.36			4,720.39	4,747.81	9,471.56
54	619T41004	X					51.70			2,678.02		2,729.72
55	619T41005	X	6,450.00	1,000.00			499.60	836.50	140.00	179.76	2,731.66	11,837.52
56	619T41006	X	2,400.00				341.40	25.59	140.00	1,594.42	3,804.78	8,306.19
57	619T41007	X	2,580.00				275.00		15.50	1,646.47	3,014.81	7,531.78
58	619T51001										8,729.94	8,729.94
59	619T51002						613.00		84.00			697.00
60	619T51006	X									4,168.86	4,168.86
61	6794T1013						109.00			8,917.97	6,550.32	15,577.29
62	679T51002										6,714.24	6,714.24
63	679T61002	X								4,798.03		4,798.03
<b>TOTAL</b>		<b>38</b>										<b>\$474,502.09</b>

## Assistant Secretary for Management Comments

**Department of  
Veterans Affairs**

**Memorandum**

**Date:** March 22, 2006

**From:** Assistant Secretary for Management (004)

**Subject:** Audit of Alleged Mismanagement of VA's Permanent Change of Station Travel Program (EDMS 342857)

**To:** Assistant Inspector General for Audit (52)

1. The Office of Management concurs with the recommendations of the subject report. Our comments are attached.
2. Please direct any questions to Mr. Rod Wood, Director of the VA Financial Services Center, at (512) 460-5000.



Robert J. Henke

Attachment

## **Assistant Secretary for Management's Comments to Office of Inspector General's Report**

### **Recommended Improvement Action 1**

**a. Conduct monthly reviews of all outstanding obligations and advances and appropriately deobligate outstanding obligations and collect outstanding advances in accordance with VA manual policies.**

**Response:** Concur. The Financial Services Center (FSC) Financial Accounting Service will review all outstanding Permanent Change of Station (PCS) travel obligations monthly to ensure timely de-obligations. Each line of every travel order will be examined to determine if all travel vouchers for a particular line have been submitted. If the accountant determines all expenses have been paid for a given travel line item, the remaining amount outstanding will be de-obligated. This monthly review will also verify that the amount of advance does not exceed the amount authorized. The supervisor of the travel section in the Financial Operations Service will follow up on any discrepancies with the traveler.

**b. Review the PCS travel cases nationwide and ensure that PCS travel funds are deobligated promptly, advances to transferring employees are the appropriate amount and are promptly collected, and the appropriate amount of funds are obligated for PCS real estate expenses.**

**Response:** Concur. When travel is completed, the FSC reviews all advances and takes necessary action to collect any outstanding amounts. The FSC conducts an extensive review of obligations where travelers have filed claims, and de-obligates as appropriate. Real estate obligations are included in the monthly monitoring of outstanding obligations. Enhancements to the PCS application for calculating amounts for real estate obligations are under development. The FSC completed a comprehensive analysis of advances and determined the current percentage (75 percent) of allowable entitlements is the appropriate amount to use in calculating advances. The FSC acknowledges the instances in which the OIG found excessive advances were given. Based on our analysis, these appear to be isolated cases and

not a systemic problem. Additionally, enhancements to the PCS application have been initiated to enforce the allowed percentage for advances; guidelines have been published and provided to PCS staff. For ongoing travel, all open obligations and advances will be reviewed monthly to ensure funds are de-obligated and advances liquidated promptly.

**c. Develop and implement standard operating procedures for processing PCS travel.**

**Response:** Concur. Standard operating procedures are being updated/developed and will be implemented when completed. Target completion date is March 31, 2005.

**d. Implement PCS travel software that improves PCS processing.**

**Response:** Concur. The FSC has completed some immediate enhancements to the PCS travel application currently used by the PCS travel team. The FSC is completing a total functionality review of the PCS travel software to identify further improvements to enhance internal controls and customer support. Target completion date for all changes is August 31, 2006.

**Recommended Improvement Action 2**

**a. Ensure all FSC employees with PCS travel responsibilities receive adequate training on PCS travel processing, FMS applications, and FTR, Chapter 302 requirements.**

**Response:** Concur. Employees received training on EMS applications on February 2, 2006, and the FSC is scheduling training on FTR Chapter 302 requirements for March/April 2006. Additionally, the FSC will develop a comprehensive training program for the PCS travel team. The plan will identify specific competencies required for each position and the associated training to attain those competencies. The plan will ensure employees receive periodic training on PCS travel processing, EMS and FTR requirements, and other competencies identified during the initial training assessment of each employee. Target completion date is April 30, 2006.

**b. Modify future vacancy announcements to include an accurate description of PCS travel duties and specialized experience requirements.**

**Response:** Concur. Future vacancy announcements for PCS travel positions will describe PCS travel duties and include requirements for specialized experience.

**c. Ensure that customer surveys are distributed to all transferred employees.**

**Response:** Concur. The FSC implemented a change in February 2006 to have the FSC survey coordinator, rather than PCS employees, distribute surveys to all transferred employees.

**d. Develop and implement a method to measure the quality of customer service provided to VA facilities.**

**Response:** Concur. The FSC will survey personnel at VA facilities periodically to receive feedback on customer service. The first survey will be conducted in April 2006, with subsequent surveys to follow.

**Recommended Improvement Action 3**

**a. Compete the requirement for entitlement counseling and voucher services for those affected by Hurricane Katrina under the provisions in the FAR, Part 8.**

**Response:** Concur. We competed the requirement via the GSA schedule and, as a result, the sole source action is moot and is no longer being pursued.

**b. Change the RFQ to provide entitlement counseling and voucher services to a fixed-price IDIQ or a Requirements task order that includes tiered pricing or a rebate structure to encourage discounted pricing.**

**Response:** Concur. The requirement was competed via the GSA schedule. The resultant task order will include a firm number of PCS employees and a firm-fixed price.

**c. Take immediate action to resolve outstanding issues relating to the protest of the existing contract with the vendor without interruption or disruption of the services needed by VA employees who are relocating.**

**Response:** Concur. Resolution on the protest was to not exercise the option. A competitive re-compete is in process via the GSA schedule and should be awarded by March 22, 2006, to avoid disruption of the relocation services.

**Office of Management comment on Appendix C, Monetary Benefits in Accordance with IG Act Amendments (page 39)**

We concur that there would be a monetary benefit; however, the amounts (noted on pages 12 and 39) are overstated. Advances should not be part of this calculation as they are a subset of obligations. Thus, these funds could not have been used for other VA activities. The proper monetary benefit is the sum of \$474,502 (the amount the FSC did not de-obligate for completed or partially completed travel) plus \$33,152 (over-obligated real estate expenses) for a total of \$507,654.



## Monetary Benefits in Accordance with IG Act Amendments

<u>Recommendation</u>	<u>Explanation of Benefit(s)</u>	<u>Better Use of Funds</u>
1b	Reviews the PCS travel cases nationwide and ensures that PCS travel funds are deobligated promptly, advances to transferring employees are the appropriate amount and are promptly collected, and the appropriate amount of funds are obligated for PCS real estate expenses.	\$521,591

## OIG Contact and Staff Acknowledgments

---

OIG Contact	Michael L. Staley (202) 565-4625
-------------	----------------------------------

---

Acknowledgments	Nicholas H. Dahl Amy J. Mosman Gregory V. Mroz Christine N. Nguyen Thomas P. Phillips Michael A. Raponi Maureen T. Regan Steven Wise Kent X. Wrathall
-----------------	---

## Report Distribution

### **VA Distribution**

Office of the Secretary  
Veterans Health Administration  
Veterans Benefits Administration  
National Cemetery Administration  
Assistant Secretaries  
Office of General Counsel  
Director, Financial Services Center

### **Non-VA Distribution**

House Committee on Veterans' Affairs  
House Appropriations Subcommittee on Military Quality of Life and Veterans Affairs  
House Committee on Government Reform  
Senate Committee on Veterans' Affairs  
Senate Appropriations Subcommittee on Military Construction and Veterans Affairs  
Senate Committee on Governmental Affairs  
National Veterans Service Organizations  
Government Accountability Office  
Office of Management and Budget  
Senator Charles Grassley  
Congressman Lloyd Doggett

This report will be available in the near future on the OIG's Web site at <http://www.va.gov/oig/52/reports/mainlist.htm>. This report will remain on the OIG Web site for at least 2 fiscal years after it is issued.

**To Report Suspected Wrongdoing in VA Programs and Operations  
Call the OIG Hotline – (800) 488-8244**